

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2015/2016

**BFN3034 – BEHAVIOURAL FINANCE**  
(SECTION B01)

01 JUNE 2016  
2.30 P.M. - 4.30 P.M.  
(2 HOURS)

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### INSTRUCTIONS TO STUDENTS

1. This questions paper consists of 2 pages.
2. Answer **ALL** questions. The marks for each question are given in the question paper.
3. Please write your answers for all the questions in the answer booklet.

**Answer ALL questions.**

**Question 1**

- (a) Identify one behavioural characteristic from statement (i) to (iv) below.
- (i) Jennifer tells her broker that she does not want to sell her stocks that are below the price she paid for them. She believes that if she just holds on to them a little longer, they will recover, at which time she will sell them. (5 marks)
  - (ii) Investors disregard sample size when forming views about the future from the past. (5 marks)
  - (iii) I have used the Internet extensively to research the outlook for the property market over the next five years, and I believe now is the best time to buy a property. (5 marks)
  - (iv) A soccer player scores two goals. More of his team mates start passing him the ball more often in the assumption he is 'on the ball'. (5 marks)
- (b) Explain sentiment indicators of trin statistic and short interest. (10 marks)
- (c) Briefly discuss Allias paradox. (5 marks)

**(Total: 35 marks)**

**Question 2**

- (a) Describe the safe assets and unsafe assets in the Shleifer model. (10 marks)
- (b) Discuss the two main players in the Shleifer model. (10 marks)
- (c) Demonstrate what Shleifer model had accomplished and discuss why the model is important. (10 marks)

**(Total: 30 marks)**

**Continued...**

**Question 3**

- (a) Differentiate sunk cost bias and availability heuristics. (10 marks)
- (b) Illustrate the framing effect with relation to loss aversion in the prospect theory. The theory was created in 1979 and developed in 1992 by Daniel Kahneman and Amos Tversky, nobel prize winners. You are required to use examples to illustrate the concept in your answer. (15 marks)
- (c) Compare illusion of superiority with conjunction fallacy. (10 marks)

(Total: 35 marks)

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